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RECORD OF CONFERENCE BETWEEN LEONARD K. ELMHIRST, ENGLISH
ECONOMIST, AND A GROUP OF EXTENSION ECONOMISTS AND OTHERS
Washington, D. C., April 16, 1941

Introduction by Mr. H. M. Dixon: I believe most of you know that at the request of Director Wilson, Mr. Elmhirst has visited a number of States in the past few months and conducted discussions with college officials and planning and policy-forming groups, regarding the impacts of the war on British and American agriculture. These discussions have been welcomed by the State groups, and many commendatory letters and reactions have been received.

It has also been suggested that we conduct one or more of these discussions here, and that is the purpose of this meeting. Since we have also received requests for copies of Mr. Elmhirst's discussion, we have arranged to take stenographic notes at this meeting. I know Mr. Elmhirst needs no special introduction to this group; you all know of his great services and work in the agricultural economics field internationally and of his broad knowledge of agricultural conditions in many parts of the world.

You realize, Mr. Elmhirst, that we have here a group whose work and interests are quite similar and comparable to those you met in the States. We are glad, Mr. Elmhirst, that you could be here today and to hear from you at this time.

Mr. Elmhirst: I find it rather difficult to know where to begin because I don't just want to repeat the sort of thing I said 6 months ago at the Outlook Conference.

Question: Tell us what you have seen since then.

Mr. Elmhirst: That is different. Well, I suppose it would be easiest perhaps to take things up as they come to my mind, and one of the subjects in which I found considerable interest was marketing. I don't know why we should begin with marketing, but I don't think it is such a bad place to start. First of all, I would like to refer to the sort of failure that I think we have made in Britain in that we talked a great deal about marketing, but the marketing acts we have had, generally speaking, have turned out to be not marketing programs so much as schemes for organizing producers to "soak" the consumer. Do you think that is a fair description? Is that a scientific attitude toward marketing?

Reply: Not to "soak" but to do something to them.

Mr. Elmhirst: Well, yes, but the ultimate outcome tends to be - you have a phrase, "to take what the market will stand." Isn't that right? Now, I remember an occasion when I was walking down Whitehall with the chief engineer of our marketing acts. He was going to the House of Lords that afternoon in the interest of putting through a milk marketing act, and I put to him this question.

I said: "I have just left a room where there are representatives of the leading manufacturing milk firms, the leading retailers of liquid milk of both consumers' co-op and private firms, and a few other citizens who were there merely as individual consumers. They are wondering whether you can't look at milk as a single great industry, that has a responsibility for offering a wide variety of service to the consumer."

"The time has not come yet," he replied, "for that. If I don't give the producers a 'big stick' to hold over the trade, I will never get them organized."

As a result, we got a milk marketing act that brought all the producers of liquid milk into a single organization, but even when I had left Britain (September 1940) there was not yet anybody representing consumer taste and preference and the interpretation of consumer preference back right through the chain of distribution and manufacturing to the producer. I believe that until we get that complete chain for every product that comes off the farm, we have not begun to tackle marketing. Sound marketing must begin, to my mind, with the consumer. Study his needs and preferences, and bring that information back all the way down the line to where production takes place.

We made such a mistake. We entered this war without any scheme whatever, and, as far as I know, last September, no one had begun to think one out, for the rapid distribution of fresh fruits and vegetables from those areas where there was bound to be a surplus. In a good year, the wholly inadequate marketing center in London, called Covent Garden, has always proved a bottleneck for surplus disposal. We have not begun to think of how best to get fruits and vegetables "fresh" and at prices and in packages that are convenient to the consumer.

We have tried a few experiments. We had the case of an industrial consumers' cooperative, one of the most forward-thinking in the Midlands (a large, highly industrialized area), coming to an arrangement with a producer co-op in the Evesham Valley whereby the industrial co-op took practically everything that the growers' co-op had to sell on an agreed base, so there was never any bargaining about price. That stuff was distributed as rapidly and as freshly as any of our fresh foodstuffs to the low-income consumer at the bottom of our wage scale. And he with his family is the man I am interested in. If the purchasing power of the low-wage-earning population of the country rises ever so little, such buying is the biggest factor in the bulk consumption of farm produce.

We tried an experiment down in our own area of Devon. Our truck growing and fruit growing began to increase beyond where we could get what we called a "reasonable price" for it in the local markets around our area, and we were already beginning to ship our surplus some 200 miles up to London -- to Covent Garden. They got it, and then shipped much of it back 200 miles to different parts of Devon which we could not reach.

So we went to the local and most successful chain-store organizations in the Devon area and, after some months of our educating them and their educating us, we came to an arrangement which practically meant that at any time we could push our bulk surplus over their counters. They worked on the basis of what they called "optimum price."

I never saw that phrase used in an economics textbook, but if you want to ask questions, we can discuss it further. The chain-store people said, "We do not want to deal with an individual farmer because he gives us too much trouble for too small a turnover, but so long as you at Dartington Hall are in touch with a group of farmers and have a marketing office and a grading establishment, we are ready to deal with your organization, and if you like to bring in any other farmers' produce, that is all right, but we want one person to deal with, and we want the stuff packed and graded the way we can dispose of it most rapidly over our 'square yard' of counter." In that way, we began to get food to these low-wage-earning folks of a variety and a freshness that they had never tasted before, and at a price within their range.

Now I am just going to start the ball rolling in this way, because you have probably lots of similar examples, but quite frequently I would say to your research men, "How far has your marketing work gone?" With our economists, there are plenty who do not mind visiting farms, factories, and creameries, but when you ask a professional economist to visit all the butcher shops in an industrial town and then do some sample studies of housewives and their purchasing habits, he is not just sure whether that is quite a "respectable" job for a qualified agricultural economist to engage in, or a suitable subject for a thesis.

Remark: That is social work.

Question: We have a pretty good example of regional attack in vegetable marketing in the Northeast. How were you impressed with the answers of the groups in the Central and Western States to these questions?

Mr. Elmhirst: The impression I got was that the farm organizations are looking at marketing as a task of getting themselves organized to hold up prices or to raise prices to the consumer.

Now in quite a number of beef States -- and I visited a good many -- whenever there was a farmer in the room, there was the question, "What about Argentine beef?" and I would say, "I don't know anything about Argentine beef in connection with this country. But I can tell

you about our own National Farmers' Union, and their attitude toward Argentine beef. Our National Farmers' Union organization has, on the whole, I am afraid, been led by men who made such an ill success of their own farming that they felt quite free to take to politics. Too often they combined good loud voices with poor land cultivation and so became the leaders of our political farm organizations."

The N. F. U. raised a howl against Argentine beef coming into Britain. We had a research man who was not afraid of what you call "social work," and he and one of his fellow economists went into a Mid-land industrial town. There they visited every shop that sold beef in any form, and then they did some sample studies of streets where different purchasing classes lived. Their finding was this: That in no real sense could British and Argentine beef ever be in competition. That, as soon as the wage or purchasing level rose above a certain point, the housewife tended to buy British beef for some very good reasons, but since the bulk of the purchasing power in that region was in the low-wage levels, they could never buy British beef, and if they did not buy Argentine beef, they did not buy beef at all.

There are, as you know, different grades of Argentine beef -- frozen, chilled, and canned. There were quite a number of poor families that, whenever they tasted beef, had to buy it canned because that was the only beef they could afford. You can see therefore that where the British farmer takes the trouble to grow and grade his beef properly, he can carry away the "cream of the market" and he need not worry about competition from Argentine beef, but too often the British farmer has not hesitated to try to unload his old cows onto the British prime beef market and so has spoiled his own market for prime beef. I just mention that because, in referring to it around some of the beef States, I found that the idea that the entrance of Argentine beef into this country might not be in direct competition with American beef was new to them.

Question: For purposes of discussion here, Mr. Elmhirst, I would certainly accept the thought you expressed that the farmer cooperatives have primarily in mind a better price for their members; but I am not sure that I would go along with you on what I think is your assumption, that it is not right that they take that point of view.

Mr. Elmhirst: I do not mind their taking that point of view, provided they recognize that unless they know much more than most of them now do about what the consumer likes and needs, they may never get the higher price and they may never get the larger market.

Question: I think part of their thought certainly goes that far, but it also carries this with it, that is, that trade and the consumer are, to a certain extent, "getting their oars in," or their point of view in the settling of these problems, and they (the farmer cooperatives) want to be in position to present their side of the picture. And they think of their function as being the mechanism for getting things bought and sold and that it is not perhaps their responsibility to try

to find out what the consumer thinks, even though they may welcome consumers going at it (the marketing job from the consumer's end) scientifically, just as they (the producer cooperatives) have gone at the handling of their commodity scientifically.

Mr. Elmhirst: The question you have raised brings me back to my first point, that the solution for their troubles is only likely to come when someone who understands their (the producers') end of things is able to go to the consumer and work backwards to the producer so that he gets an understanding of every step along the route. As long as the producer looks at marketing only from the production end, he is not going to get the sort of education he should have from the consumer, nor is he going to get a solid bottom built into his market.

Now, may I come back to this "optimum price." I mention this again because it has a bearing on the question. I am going to give you a definition which you can tear to bits.

The phrase has been in use in Britain for some time, without anyone ever giving it an exact definition, but I offer one to you in one sentence. "The optimum price, or price level, is the price at which acceleration of demand is such as to reduce the cost of production sufficiently so that the maximum needs of the community for the article are wholly satisfied." Optimum price, you see, does not necessarily mean lowest price -- it means a price that suits the bulk consumer's purse and satisfies all other charges en route -- production, processing, and transport.

Let me give you an example: We have a number of individual firms producing textiles in Britain which have for years been trying to market their goods in the American market. Some of them have built up a pretty good trade, but when you look at it in the aggregate, you see it was a feeble effort in comparison to your potential demand and to the gaps in your production economy. Generally speaking, these goods entered only the highest-priced shops on New York's Fifth Avenue and stores of the same kind in other towns. The demand of the bulk middle and working class buying public in this country was never really touched.

How many of you like to wear British woollens? If you do go to Britain, you load up with them, but you probably do not expect to get them here and, if you do, they are often of a pattern or quality or price that does not suit you.

Now one of the reasons I was sent over was that a certain British chain-store firm was asked to come over and do a survey of the possible market demand in the United States for the products of our country (England) that are surplus to the war effort but vital to us as exports in the earning of dollars to pay for what we are getting in the U. S. A. We know you are pretty good at consuming Scotch whisky in quantity, and that you take from us and bury all the gold you can buy -- liquid and solid products -- but our problem is to find out why America does not consume

more quality textiles, leather goods, and china from Britain. Within 2 weeks of our arrival, 90 percent of all the samples we brought over had to be scrapped. Those articles had been loaded on the boat because they were what the producers in Britain thought the American public ought to want to buy, at the prices they thought the Americans ought to pay. But this firm had come over to study consumer need and preference, so "bang" went all the samples -- overboard. Oh, some use was made of them, of course, but not as we had expected. Since then orders have begun to flow in, but only because of the careful, thorough, and sympathetic way in which this firm has tried to study the needs of the American consumer. After thorough discussion with the retail firms, then working a step farther back to consult the manufacturing firms that are making the goods for the American market, we realize that there is an untapped market here for certain British goods in quantity, but of a kind and price that suits America.

Remark: I think your observations are pretty good. I think some of our butter co-ops -- dairy co-ops -- have at least taken the point of view that they must produce a quality product, as Land o' Lakes and others do. They have a pretty effective merchandising group which is very conscious of what the consumer would take. Butter is not just butter, some is just grease, and if you want consumers to pay well for your product, you must give them a better product for the money.

Mr. Elmhirst: I would say that you have touched the one aspect of marketing which has been the most defective in Britain, but an aspect not overlooked by the Danes. The Danes knew their only hope of keeping a price bottom in their export to Britain was to keep Danish butter at the top of the quality market there. Two years ago when I was in Latvia and Finland, they told us "We are producing 'near-Danish' butter and we are getting nearly the same price in England as the Danes."

But, you see, the importer from a distance is forced to do it. Our farmers, generally speaking, had a sufficiently easy time in the past in supplying the local markets, so that they never realized the extent to which in these days they need to make such consumer studies.

Question: In your travels around the country, did anyone ever speak of the "stamp plan" as a marketing program where the Government steps in and says -- as for the group which cannot eat anything but Argentine beef -- we have got to get these supplies "down there" (to the low-income consumers)? I think that beef growers generally are not conscious of the fact that canned beef is not the same as the beef they are producing, and not for the same market, and I think that the rank and file of our farmers -- beef producers -- would say that the consumer has to pay too much for a lot of the food products he buys. I believe they would say that about meat (regarding the spread between farm and retail prices), and I think they have the idea that the devil is between them and the consumer.

Mr. Elmhirst: Isn't that just where the economist comes in? Let me come back to the "optimum prices." Watch the velocity with

which goods go over the "square yard" of sales counter in a chain store. If that square yard of counter is not earning its keep, which means does not earn its overhead, production cost, transport, office expenses, and so forth -- we have got to alter the goods or bring the price of those goods down to where it lies within the bulk-purchasing power of the community. When wages or unemployment insurance pay are too low you may have to invent artificial means of giving goods away. But that is never the final or the healthy answer. Why should we not raise wages, eliminate unemployment, and have a one-guage and not a two-guage track to our economy, which is what the stamp plan is.

Question: I think, if you start at that point, you will be at the point at which most of the co-ops are driving. They don't know if they like \$50 a week for milk drivers, and so forth -- for fluid milk distribution.

Question: You use consumer and retail merchant synonymously. Do you intend to?

Mr. Elmhirst: No. We have tried to deal with the consumer co-ops but we had this experience with what is probably our most successful chain-store firm in Britain. For the last 8 years, this firm has worked on the basis of either lowering the price or raising the quality of its products as soon as it found the area of maximum purchasing power in the community, and it tested that by the velocity with which the goods moved over the counter. Now, if it got the right velocity of movement, which meant that the price level was about optimum, that very velocity itself meant a cutting down of the costs of bringing that article to that counter because the overhead could be spread over the larger turnover all the way along the line back to the producer.

Question: Are you of the opinion that the so-called distributor-retail merchant is the only one who has the final answer to what the consumer demands?

Mr. Elmhirst: No. He does not always know. From my point of view, to have -- say in terms of Canada -- 150,000 more little farms than you can afford to have out of 750,000, is bad economy. To have 150,000 more retailers than you need to have, unless they are doing a very special service to the consumer, is economic waste.

In Britain we have had far too many little retailers, and the consumer has to pay for their limited services. So I do not trust the little retailer to tell me what the consumer needs unless he offers a special type of service with the goods he sells. We do find that, when certain products are packaged and graded, and then put through a chain store where the low-paid folks come to do the bulk of their shopping, they get a service which reduces overhead to a minimum and brings them goods of a quality, freshness, and price not available in most of the small retail shops where they have had to buy in the past.

British Industrial Consumers' Co-ops serve 14,000,000 members. They have acted as a screen for the private chain companies and are themselves really a vast chain-store system, but they have not yet fully learned to operate on the basis of which I have just been talking, of optimum price, whereby, with greater velocity of turnover, you begin to spread your overhead costs way back through the system. In Devon, our farms now get instructions from the chain-store managers, telling us to grow perhaps an extra acre of young carrots next year, because, at a price that has been satisfactory all round, a certain bulk demand has begun to show up.

Now I come to another problem for producers who try to market through chain stores or cooperatives. We know that some day we might be held to ransom by that chain store, or by a consumer cooperative that suddenly decided to buy all its farm produce somewhere else at a lower rate and could find a way to do it without giving us due notice. A smart store manager may try to "skin" the producer -- and it is not going to be easy to get sales organizations, in general, to recognize the need for producer and retailer to make a joint effort to study and meet consumer needs.

Question: I notice that you used the terms "consumer needs" and "consumer preference" a number of times. Does that represent, in your thinking, a modification of what we have in the past called "effective consumer demand" which, after all, emphasized actual money expenditures as an adequate measure of demand? This matter of consumer need, it seems to me, is important, and much can be brought out by the scientific study of consumers themselves and of their patterns of living. Also, another related point which one of the group here was just speaking about is "quality," which I think has been emphasized in our thinking about marketing here. I am wondering if, in our marketing structure, the emphasis on quality isn't frequently exaggerated so that the consumers' welfare is injured.

Mr. Elmhirst: Personally, I prefer the phrase "consumer need" or "preference" to that of "effective demand." Effective for whom? Now, to come back to my chain store, it doesn't advertise at all, nor give credit. It had to educate the customers to realize that they could purchase the highest quality vegetables and fruits over the organization's counters. The chain-store officials said at first that they dare not try to sell first-quality stuff but that they would experiment with the lower grades. They finally took our bulk produce, our first and second grade, but they had to discover the best retail selling price -- of radishes, for example -- so they sent a man around to various greengrocery stores to look at prices and grades of bunch radishes. There was a greengrocer's shop just across the street, and they watched the radishes in those windows. They found that the same size of radish at the same price disappeared twice as quickly in their chain store as from the window of the greengrocer. What those chain-store officials have discovered is, that dealing with fruits and vegetables as they do, they are opening up purchasing capacity that they did not think existed. They started buying

shiploads of grapefruit, for instance, and instead of taking it all through Covent Garden market, they brought it to the most suitable dock and pushed it across their counters and sold grapefruit to people who had never tasted it before. They did not know in advance that there was a demand for it because they were dealing with the lowest-paid wage groups.

Question: Following your line of thought, what is the outlook now in this country? Do you think that you have certain products that you could introduce to markets in this country which you have not been able to know about and tap before, and supply some of our needs here?

Mr. Elmhirst: You mean in the textile field? The surprise in that experiment was to discover that British salesmen had in general failed to study consumer need and preference and had simply said, here are our goods, take them or leave them. Many of them got left.

Put it this way. We make tropical suitings for Englishmen who work in India. But those tropical suitings never really came out here except in small lots at a very high price. The cloth, which is made from Australian wool and is woven in England, needs special technique and machinery. Only if they could be sure of a steady supply from stocks held in New York, would an American firm take the risk of making up suits and of introducing them into the chain-store system here. In such a case, they could always draw on this reserve stock, provided it included the shades that suit the American market. Therefore, the problem is, can we bring over a sufficient quantity of that material undyed and keep it in a warehouse in New York, so that any manufacturer in this country will know about it and can always depend on a standard material, dyed and finished as he wants it. Such a marketing program requires a man to know his buyers' needs well enough to cut out two or three middlemen from the time the stuff leaves the factory in Britain until it reaches New York, to deal directly with the customs, to order the dyeing, to deliver the goods to the factory, and possibly to go into a cooperative enterprise over marketing the final suit.

Remark: It seems to me there is a stalemate. When you start on the consumer end and you move on back through (making the principal adjustments at the producer end), you do not get a price that will anywhere near compensate producers under the present cost structure. You have got to go back and scale down costs all along the line.

Mr. Elmhirst: Even when you have the most efficiently organized retail firm that will work at the most economical figure and with production costs at their lowest point, the (retail) price may still be too high to encourage the necessary velocity of turnover. If so, either the goods are wrong or the consumer wage level in that area is too low and you will have to fall back on a stamp system.

Remark: There might be three areas, or fields, to consider. If we talk in terms of production, the organization and methods might be changed to bring about greater efficiency. If we put all distribution

in one group, there would be more efficient ways of handling that. And raising the purchasing power of the consumer might be the third procedure, so we would not have to take up all the slack by increased efficiency in production.

Mr. Elmhirst: I would say that the main factor in climbing out of our depression in Great Britain, before the defense program got under way, was by steadily increasing the purchasing power of the consumer. Pensions, insurance, health and unemployment aid, raising of wages and minimum wage levels, holidays with pay, and family allowances for wage earners all help to bring new purchasing power into action.

Question: Last November you mentioned agricultural planning in Britain. In your tours around the country have you seen any evidences of planning?

Mr. Elmhirst: One of the most encouraging things I ran into in almost every State I visited was an element of what was almost excitement over the development of the land use planning idea. This was as true of the few farmers I saw as of the extension men connected with the direction of the scheme. And there was the feeling that they really had got a nucleus around which a sense of community responsibility was likely to develop and increase. It was going slowly in some places, better in others, but there was the feeling that a new kind of bridge was being built connecting the State institutions and the farmers and their wives. This sense of responsible participation among little groups, all keenly interested in working out a common-sense program for the land around them, is to my mind basic to any proper functioning of democracy.

Question: But what about the "extra" farmers? How will land use planning affect them?

Mr. Elmhirst: Take an area like California. I put before them the same question that I put in Canada: What are you going to do with all those farmers that you do not want; how many farmers have you that have a farm that is not large enough to support a family? Well, they just did not know -- they knew they had a very large number. What are we going to do with them all over the world? I told those people that in Britain our defense program, when it really began to get under way, tended to act like a sponge upon the rural underemployed. While it was not always surplus labor, often it was "exploited" labor. As soon as urban industry offered them jobs, as soon as the rural housewife could find a house near town, out they came from those wretched hovels and into a house with running water and even a decent water closet. After the last war, we established any number of "small holdings -- homes for heroes," we called them -- where the soldier was settled to enjoy life on the land. Too often it only gave him a chance to "starve in peace." The defense program tended to suck some of those fellows back into industry.

Just as the war broke, we were beginning to study location of industry, and two reports came out during the first year of the war on the better distribution of industry; one was a Government, the other a P. E. P. report. We began to realize that factories, too, could do with a little planning.

Question: Getting back to California and surplus farms, I think we might have a little better notion about what is going to happen in the next few years if we were sure, as I think you were when I talked with you last November in New York, about whether Britain was going to stay on top long enough to make a real war out of this. If it lasts at all, or if it lasts for several years, and we get into it -- the people out in California-- we are going to do the same thing as was done in Britain -- we are going to "sponge up" the surplus labor and then, as a nation, we are going to be confronted with the same thing your nation was, after the last war.

What are we going to do with them (the ex-soldiers)? We will have to have a lot of planners to know whether we are going to encourage these people to go back to hovels or whether we are going to take care of them with W. P. A., and the like. We have got to be looking ahead and face the question of whether we are going to take care of them on rural programs or what not.

Mr. Elmhirst: Just to complete the "movement" stage, I quoted both here and around the country the case of the emergency survey of all the farms in Britain, undertaken 3 months before I left.

The farms were classified as A, B, and C. On an A farm, the farmer was doing a good, thorough job and the Government had little need to worry about him -- he was an economic and efficient farmer. These were the farms where the county extension service men tended to spend most of their time, since there they got a response. On B farms, the farmers badly needed some kind of assistance. On the C farms, things were going so badly that it was necessary to take drastic steps.

There were 344 farms in one area I visited. All had been inspected; 90 had been classified as A, 200 as B, and 54 as C. I asked the leading farmer on the local committee: "What are you doing with the C farms?"

He replied, "We have just dealt with one, decided to buy him out, compensate him, have a sale, divide his farm into three pieces, and hand it over to three of his neighbors to farm, and," he added "it is actually done."

There were 986 such cases dealt with up to last February.

Question: Over what areas?

Mr. Elmhirst: Over the whole of Britain. That simply means to me that that movement for eliminating the inefficient has gone ahead.

Question: What became of that C farmer?

Mr. Elmhirst: Actually, under our war economy there are all kinds of other jobs for him, but I think, in this case, he was an elderly man living on the farmstead and not worrying about cultivating the farm. Actually, after the war, we are going to have terrific pressure to put millions of soldiers back on the land.

Remark: You will probably do it.

Mr. Elmhirst: Over my dead body!

We have not thought out thoroughly all the ways of dealing with this situation. The first and most fundamental question is this. Should we be fair to deny to society the advantages of science and economics, whether in industry or agriculture? Generally speaking, the answer is no, that society has the right to the full benefit of all the efficiencies we can introduce into agriculture. Are we right then to pursue efficiency in agriculture? Yes, I think so, but only if we are ready to face and deal with the social implications and problems raised in the process.

We did a study, just before the war, of standards of living in Europe to see whether there was any relation between the percentage of a population trying to earn a living from the land and the average standard of life of the people as a whole, and we found a fairly close correlation. Once you get down to 6 percent and 7 percent of your people earning a living from the land, you get on the average a high standard for everyone. When you get up to 80 percent living on the land, the land is being used not for efficient farming, but as a dole, and it is too often an allowance of land on which a large number of people practically starve half the year and barely scrape together a living during the other 6 months. That is true of Southeast Europe, quite a lot of India, a good deal of Africa, and a large part of the Southern States of North America.

Remark: Nevada has about 100 percent (on the land).

Mr. Elmhirst: You get 7 percent in New York State, you get up to 70 percent in Mississippi and Arkansas. I asked Professor Arthur Ashby, whose opinion I respect and who is one of our best minds in the field of agricultural economics and who never forgets the social implications of economic progress: "Supposing a people had the full range of climate and soil area for growing all that they need from the soil, what proportion of the population in these modern days ought to be sufficient?"

"Not more than 15 percent," he answered.

Whether it is 12 or 18 percent, it is not a bad figure to keep in mind. If, with 7 percent, we produce half of the foodstuff we need for 40 millions in our little Islands -- which are temperate and just average

in soil, we might, if we had another island with the right kind of soil and climate, produce all the tea, rubber, and the like, that we need with another 7 percent. That leaves a margin of the population available for some other industry than agriculture, and the puzzle is, what are you going to do with these extra people?

My answer is, that if we steadily reduce the numbers in agriculture and in industry and produce more goods with more and more efficiency, we really have an increased margin of population to play with. Have we all the professional services we need -- doctors, teachers; have we the recreational services that we need; have we the leisure and cultural services that we need? No. We need and are beginning to desire more services of every kind as our knowledge grows. I don't think people have any clear idea of the wealth of goods and services and of the opportunities for living a fuller kind of life that lie just around the corner for everyone.

Question: Ten years ago, a house in the city had one bathroom. Now people want two or three or four bathrooms, and a maid and a car. Now is that called a desire -- what is that?

Mr. Elmhirst: I am more interested in basic need the world over than I am in actual desires, because there are plenty of people who "desire" an expensive car, or a 50-foot yacht -- that is what I call "desire" -- but I am referring to fundamental economic and social needs, and a basic minimum standard of life and living. I have simply said a water closet is evidence that a water system exists, and when you have a dependable supply of running water in a rural area I think you are getting somewhere. I believe that the healthiest kind of life for human beings is lived in communities that are not too large to have a wide range of social self-expression and to be in direct touch with nature.

I see no reason at all why industry should not be better distributed, and our too great urban conglomerations broken down. I see no reason at all why certain fundamental services should not be extended to all rural communities of a certain size, but it costs two to three times as much to bring these services to rural areas as it does to provide them in a town. You cannot move a coal mine, but you can move around the industry which depends upon its product and needs cheap power. Now, if we have this mobility of industry, can't we also have mobility in our population of a kind that would give people a chance to live in a community that is in the country, and so derive the benefits of living in a rural area? I do not mean trying to persuade a lot of folk to work a little farm alongside their other work. I mean really bringing up the kids where they can keep pets, and grow things. "More pets, less petting."

I can see how the bombing of towns and the economic planning that Hitler has forced upon us, should give us more freedom than ever to think out the best ways in which we can service our populations so that they can get the best kind of home and community living. We are now at the beginning of where we can do something to get the right kind of perspective or the proper balance between urban and rural living. Land

settlement must therefore never be solely rural and agricultural but a combination of urban, industrial, and small community, and a wide range of professions, with farming.

Question: We have a farm security program in this country which we operate under the assumption that although we would like to get a lot of surplus farm people off the land into other operations, we will have a lot of them still on the land for a long time, so we are trying to do the best we can with a bad situation. The problem is one of stating a national policy of trying to get, as you describe it, the surplus people into nonagricultural pursuits, and at the same time see how our programs, of action, for instance, work out.

In the South we have some 5,000,000 acres too many of cotton. We have got to get people into other things. One answer to that would be to say, "Well, get them out of agriculture -- get them into other activities."

But we can't quite say it, there are too many of them. Regardless of how hard we push in that direction, we are more or less frustrated. Industry is located in Pittsburgh, Chicago, New York, and other large cities, and is not likely to scatter over other sections of the country, so we have to have some intermediary policy, looking ahead 25 years or more, in which we act as though we are going to keep these people on the land.

Mr. Elmhirst: I would agree that you have a serious problem to face.

In relation to the size of your country and the number of people so situated, it would be dangerous for me to use British experience, or to try to offer you any suggestions from it. In the South, where T. V. A. was in operation, or where the forests were still productive, or where improved pasture was already established, I found plenty of signs of new hope, new life, and new economic resource. But I would add this, that I used to be worried that the English village was going to face the same tragic end that a great many of your small up-State New York villages faced, through the breakdown of a whole rural social system, through depopulation and urban industrial development. The village school emptied and the craftsmen, laborers, and professional men simply drove off to the bigger towns.

I have watched that happen to some villages in England. When the average village there falls much below a hundred families, it is pretty doubtful whether it is going to manage to hang on to any vivid community expression in its life and leisure. Is there likely to be a sufficient age group of children for a baseball team for that village? You must have groups of the right age range out of which a community can express the loyalty of that community in a team, a choir, or a society.

As we began to run these all-weather surfaced roads into a rural area with our "100-family village," as we began to get running water and cheap electricity, as we provided a better quality of school and teacher,

and bus service to the local town, we found we could anchor more and more people into the village. Not only that, but we could attract back to the village quite a number of people who had retired from the village into town because, as they grew older, the services the town offered were better and more convenient for them. As soon as comparable services were available in the village, they returned because the community living was more vivid there.

Therefore, as soon as you begin to get some real improvements back to rural areas and villages, you can attract quite a bit of new settlement, new housing development, and the like, because of the new services and the fact that they feel a greater community consciousness in a village than in a town of 5,000, which is too often rigidly divided into classes by religion, by politics, or by economic status.

Question: How are you going to regularize it so that in depressions people don't go back to the country?

Mr. Elmhirst: I am sorry we have to wait for a war and for a man like Hitler to come along and teach us simple economics. I don't see any way out for us except by means of a managed economy, to get rid of depressions altogether.

Question: Does that mean that the standard of living is going up or down in general?

Mr. Elmhirst: Temporarily down during the war, but if managed constructively in peace it should go up steadily. Our business men have taken two attitudes in history. One was: As soon as the war is over, let us try to go back to where we were before, and scrap everything invented during the war even though it were useful. The other was: Wherever there is a rural area, keep it rural and don't allow industry to get into it, because the price of our raw materials will rise. I asked the farmers if they had ever heard of a gentleman called George III, who was determined to keep the American colonies rural. In spite of his efforts, during the past 150 years, those "colonies" have built up the greatest industrial plant in the world. Did the standard of life in Britain fall because industry in the U. S. A. developed? No, it rose steadily most of the time.

We have not got rid of all our George III's, yet business men still take the attitude that all the world that is still rural should remain strictly rural, however low its standard of living. Historically, I think you will find in England, that whenever the privileged group -- which is Norman in origin and tradition and which has always been looked to for leadership -- took too much "fat" for itself, the people of the old Saxon tradition rose and said, "We won't stand it any longer," and the old Normans have always compromised enough to stay in power -- and they have done plenty of compromising. They are having to do plenty of compromising today.

The problem that remains, as I have said, is that of managing our economy. We see how we can develop all kinds of industries and secure a rising standard of living for everybody under a well-managed economy, especially if the British Commonwealth and the Americas, and we hope the rest of the world too after the war, can work into one economic structure.

But can we face a world, run and dominated by a group of civil servants, such as ourselves? I dare not say. How are we going to preserve for society that initiative and enterprise that the businessman rightfully claims he has been able to show in the last 150 years, but which, as yet, civil-servant and government-run operations have so often failed to show? One of the fears I find mentioned in letters from Britain is this: We see the prospect of a planned economy, of establishing much more security than our folks have ever had. We know we cannot allow again the starvation and unemployment of pre-war years, but can we avoid a Santa Claus government that is always handing presents out? Can we distribute responsibility throughout our democracy and preserve plenty of initiative and enterprise in its operation?

Remark: Our post office has been rather efficiently run.

Mr. Elmhirst: Our post office, too, was the first Government department to come alive to its responsibility and to measure the rise of efficiency in terms of figures, but you cannot do that for every function of government. That is our challenge. Our civil service fell down terribly when the war came along. Just as our businessmen fell down when they had to face the implications of peace after the last war.

Question: Has the situation improved any?

Mr. Elmhirst: When I left, they told me there were three major wars on in England: One with Hitler, one between civil servants and businessmen, and the third between rival economists. Of course, you have got a similar problem here, where you are associating businessmen in the new defense departments. The same accusation that they are using their new positions and powers to "feed" their firms is being made. On the whole, I would say that the businessmen in Britain have adapted themselves and that the field for any undue profit is rapidly being narrowed. Civil servants had to begin to build new civil-service machines of all kinds -- Ministries of Supply, of Food, of Information, and the like. They were staffed sometimes with professors from universities, professional men, and also businessmen, and they are now beginning to settle down together, so I believe that we are going to get the benefits of all three. The question is, will we be foresighted enough during the war to see how this machine can be put to use immediately after the war instead of demolishing it overnight as we did after the last war and of trying to return to normalcy. How much of the machinery we need to develop to win the war can be used for the winning of a worth-while peace?

Question: What cooperation are you getting from labor?

Mr. Elmhirst: We are getting a lot more than I think we ever expected. If you go beyond the headlines of your popular press, it seems to me you too are getting a surprising amount.

Remark: It may be even more serious than appears on the labor front.

Mr. Elmhirst: I have known so many businessmen succeed in slowing up war-time production and so many civil servants do the same that I refuse to consider putting the full burden of blame on the laboring men. I believe it can be much more evenly distributed than people think, or than the press makes out.

Remark: As a part of planning, in a certain small village in New York State, an industry has been brought in to employ one or two hundred people. There has been a certain amount of cooperation of local people and capital to get this started. Into this village have come representatives from outside organized unions. Everybody quit work and went on relief. Yet the welfare of the village was built on that little industry.

Mr. Elmhirst: In your land-grant colleges, which are supported by taxes raised from the people of the United States, you have departments of home economics. Are they for all the homes in a State or only the rural homes? When I visited your land-grant colleges, I asked, "How far do you allow yourselves to express an interest in labor problems? Have you ever had a labor-union conference of any kind on the campus? The president of one institution said, "We had an A. F. L. conference on this campus only last year, and we shall have another this year."

If we don't regard the whole field of labor as a field where State-supported extension, research, and educational enterprise should be active, can we ever expect from those laborers a civilized attitude to the State and their responsibilities in it? One basic factor in a civilized attitude of mind in British labor was the personal interest our university professors took in educating labor groups in the seventies, eighties, and nineties of the last century. They went out to the industrial centers from Oxford and Cambridge and said, "What can we do to be of service to you as laborers. What of our learning can be of use to you?" I look to a time when the economics of every kind of industry in a State will be given as much university attention as State colleges of agriculture today give to the economics of the farm industry in their areas.

I was asked to address a meeting in what I was told was the citadel of feudalism in this country. One question was asked: "How do you regard labor unions in Britain?" I said, "There are very few leaders of our industry in Britain who would not regard it as foolish not to have a thoroughly well-organized union as part of their industry, because then they know they have someone responsible to bargain and discuss with, and leaders who can make agreements and keep them."

Afterwards the county agent said to me, "You know, in one of our orchard industries, labor is now unionized and, if you go very quietly

and privately to one of the operators there, he will tell you that they have had less trouble with labor than they ever had in their memories since labor was organized. But we dare not mention this fact in public."

I doubt if the fifth columnists you mention would have a chance once you have properly organized unions under responsible leadership.

Question: Do you think that is true of little unions if moved to villages? Here is somebody that comes in and says, "We'll raise your wages 10 cents an hour."

Mr. Elmhirst: Responsible labor leadership is the answer, and a definite interest in the growth of it will one day be regarded as a normal activity of the social and economics research departments of every State college.

I should like to discuss one more problem which came up time and again -- the problem of tenancy. It is a complicated subject. I suppose that we would all agree that the chief national resource of any nation is its land. I suggest we have a threefold responsibility toward it. It is the basis of the existence of future generations. It is the basis of the existence of our present society. It is also the basis of economic earning. The economic factor, the social factor, and the responsibility-for-the-future factor make up the three factors that need always to be kept in mind. Can we also agree that the State is and must always remain the ultimate landlord?

Remark: Private property is a public trust.

Mr. Elmhirst: Yes, and in the end, Uncle Sam is the final trustee and he has to recognize his responsibility to posterity, to present society, and to individuals and groups trying to earn their living from the land. Now there was a time when he tried not just to delegate but almost to hand over that responsibility as fast as he could -- back in the eighteenth and nineteenth centuries. How fast could he dispose of the land to someone and get taxes in return was the question. Now, the position tends to be in reverse. How fast can he get it back again under control? Can we agree upon some basic and politically scientific principles on which sound landlordism might be established?

I found a deep anxiety existed over this word "landlord," that probably dates back to the landlordism of English history, and its association with the oppression of tenants and with social privilege without responsibility. This survived in the deep memory of the people who migrated from England and who associate tenant oppression and game laws with the worst kind of feudalism.

But the State can never escape from its responsibility as ultimate and final lord of the land for posterity, for society as a whole, and for the individual who earns his living from it. Is that generally agreed? How is Uncle Sam going to do a good landlording job? Can he delegate this responsibility wisely?

In some areas, I found them busy passing legislation to prevent insurance societies from holding farms for longer than a set period. In one State, I found the insurance societies had had their first conference of farm managers. They actually invited one or two men from the State college to come to talk to the insurance groups about wise tenant management and leasing.

I used to think over our experience in Britain and say that, thanks to William the First, the Conqueror-- the man who planned and completed our first farm survey (Domesday Book, 1086) -- not only got a good picture of English farm economy in the eleventh century but a system of land management which has in principle survived till today, with many of its traditions just as alive now as they ever were. As a landlord system, it had its bad points and its good points. William simply parceled England out into groups of communities -- manors and villages -- and then said to each of his successful officers, "Here is a group of villages for you with their lands. You will draw income from them in cash and kind and keep yourself free to do three things: To come and fight for me whenever I want you, to supply so many men, armed and trained, for my armed forces at any time I want them, and to keep yourself fit and trained as a fighting man the rest of the time by sport and hunting. You will so administer the area that you will get an independent income but never independence of me. When you die, your land comes back to me and if I think fit I will allow your son, so long as he is loyal to me, to inherit and enjoy it."

These Norman soldiers built up a land-management profession. They knew that only a given area of so many farms could supply the means with which to keep them free and to employ a bailiff, factor, an agent to watch over the welfare of the area. In this way, William established a hereditary Conservation Service, for the wise landlords never allowed their tenants to overcut the woods, to overgraze the meadows, to overcrop the soil, or to interfere with drains and water supplies. Over 800 years, they steadily built up the capital equipment of the land. This was the tradition of what I call good land management, but it did not always work and there were many unwise owners and land agents. It was really only broken into seriously when Lloyd George deprived it of its economic backbone, because it had failed to live up to its social responsibility. We are, therefore, just as you are now, trying to hunt out some system of getting an economic return from the land without destruction of irreplaceable resources, of getting such a kind of land management that the interests of the farmer, the tenant and the laborer, and of society are protected, and to see our responsibility to posterity so fulfilled that the land will always be handed on, never in worse and perhaps in better shape than when we took charge. That old system is worth studying because it is difficult for anyone outside England to understand how strong that old tradition was that at its best would never allow a tenant farmer to practice "poor husbandry," and that was generally anxious to adapt itself to changing times and needs.

On a good estate, the farmer was watched week to week and month to month to see that he never did damage to the capital equipment of the

land, the permanent buildings, the drainage system, the fencing and the roads and water supplies, and the fertility of the soil. It was the capital equipment that the good land manager always saw was kept in good order and good shape, and every year something was expended on it. Under good land management, a give-and-take partnership was established between the tenant farmer and the land manager, since both were interested in economic returns.

Through the application of machinery to farming, we are beginning to build what I would call "limited company operation" of a farm or farms, what you call, I believe, corporation farming. This spells the end of the single-family farm, owned and operated by the farmer. It means more specialization. It means higher wages and more opportunity for paid labor. It means the semi-industrialization of farming. And again, it raises certain questions as to how best the State can secure the interests of society and as to what the best kind of training should be for a profession of land management.

You are trying out a series of experiments that should be useful to all of us. We too are going through a number of experiments that might be of use to you, because we are moving out of the old system and have not yet found a satisfactory new one. Under the old one, we got certain very definite benefits, but we suffered from its serious deficiencies.

I used to tell them of my father, who, I think, represents perhaps this old Norman tradition. He is the thirteenth or fourteenth generation in line, living on the same spot of land that his forebears have owned and managed since 1260 and from which they took their name. He is his own land manager. I have watched him, year after year, bargaining with the tenants as to who should carry which share of the annual upkeep of capital equipment. The farmer in his lease agrees to do and not to do many things. He must paint outside woodwork every 3 years. My father buys the paint, and the farmer agrees to put it on. My father sees a fence where the hedge needs trimming. The farmer says he can't afford to do it. "All right," says my father, "I'll supply the hedge stakes, you supply the man to trim and stake the hedge." That is the daily job of a good "land manager."

Question: Suppose the tenant doesn't do it?

Mr. Elmhirst: If he is a "bad" tenant, he may know all too well just how to "let down" the whole of the capital equipment, to "soak" the farm, and then get out. But the best landlord will make such thorough inquiries about an incoming tenant, that this should not happen, and he will also have done sufficient improvement to the buildings and the capital equipment and the farmhouse and laborer's cottage to attract the best tenant.

Question: There is not much turnover or moving about of tenants, is there, in England?

Mr. Elmhirst: No, and here is an interesting fact that some of your banks and mortgage holders don't seem to have realized. Our old feudal system operated a flexible adjustment system to ease the lot of the tenant in bad times.

Generally speaking, the owner might get 6 or 7 percent gross return from his rented farms. He might get 2 to 2½ percent net over a period of, say, 500 years. That margin between gross and net he would spend on the management, upkeep, and capital improvement of the land.

But in a bad year, his tenants would come and say, "We have had a bad year; we can't pay the rent. We can pay two-thirds of it if you agree." If he was a good manager, he would say, "I'll reduce your rent 25 percent," and they would say, "All right." After the bad year, his practice was to spend little on capital improvements. Then, next year, if conditions improved the rent would return to the old figure and the 25 percent loss of the previous year would be written off. (In other words, if the rent is reduced for a single year, less is expended on capital upkeep the following year, so the "net income" tends to remain about the same.) This was a grand method of sheltering a good tenant during a depression or after a bad harvest.

The tenant had pretty meager treatment by the lawyer and by the law up until the last war, and, with a "bad" landlord, the tenant might suffer considerable hardship and injustice. After the last war, they passed a land-tenancy act, which gave such strong protection to the tenant that it protected him whether he was worth it or not. It protects him in this way: If the landlord tries to turn him out, the landlord has got to pay his tenant farmer compensation for disturbance, an amount equal to a year's rent. Also, the tenant lists all the improvements and manuring that he has done; and he will get compensation for these from the landlord or from the incoming tenant, according to the type of improvement.

A number of tenant farmers, after the last war, were forced to buy their farms, since big estates were sold over their heads. They often became their own unwilling land managers. They often hadn't the additional money with which to run their farms as a business, and they had little or no money to spend on capital upkeep. Our weather is such that if you do not spend that little every year on capital upkeep, you run up a heavy repair bill. We have had a rapid depreciation of farm capital equipment for the last 26 years as a result. Mainly, it was those estates that were not large enough to carry a proper land-management staff that were slowed up. When I find landlords, be they banks, insurance companies, and sometimes even university professors, owning farms and then renting them and then expecting to get the sort of regular return we all expect from a gilt-edged security, I shake my head. If they had 20, or 30, or 50 farms, they might, through cushioning the bad days with the good days, and the poor farms with the better -- do a good land-management job -- but as it is, each is doing his utmost to exploit the other and the understanding of what a good and fair give-and-take

relationship between landlord and tenant might be is almost wholly absent. Our older universities, being corporate bodies and never subject to inheritance taxes because they never die, do not expect a rate of interest from their farm property higher than $2\frac{1}{2}$ percent but, by good management and picking good tenants, they know they can have an appreciating capital asset and security of income. I do not see why insurance companies should not do the same, or other public bodies, but land management must become a highly skilled and honored profession. Farming itself needs far too much operating capital to allow many farmers to operate and own their farms in the future.

Some of the best landlording with us is done by our old educational institutions for another reason. They were and are interested, not in buying and selling land nor just in safe investment, but in the general and social welfare of all their rural tenants, craftsmen and laborers as well as tenant farmers.

The profession of land management must keep its eye on the social development and resources of the land as well as on economic return if the State is to delegate its responsibilities as landlord to trustee-owned and operated bodies, as well as to owner operators who so seldom have the time or the means or the incentive to be good land managers. Therefore, one of our hopes in Britain is that, as insurance companies go into the buying of land, they will adopt the old plan that the colleges still operate under, that is, buying big enough units to be economical to manage, putting in good land managers, and working in cooperation with the State colleges. Then they should have something that will be pretty satisfactory.

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